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CENTRAL INTELLIGENCE AGENCY

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food supply and the needs of industry, the Ministry was forced to borrow thirteen 15,000 ton ships [redacted]

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5. Although now in the fourth year of the Five Year Plan, organization and coordination between rail and marine transport continues to be unsatisfactory. Many Yugoslav shipping people describe the situation as worse than in the first year following the "liberation". At the end of 1949, large numbers of Yugoslav and foreign ships waited for long periods in Yugoslav ports for freight cargoes which did not arrive on schedule from the interior. To complicate matters further, other goods often arrived which had to be stored in the port warehouses. In the port of Rijeka, for example, ships were waiting to load white corn which was scheduled to arrive; however, yellow corn, which had to be placed in stock, arrived instead. In other instances, wood of one type was to be loaded but another type was shipped to the port, thus delaying the ships and overloading warehouse facilities. Uncoordinated operations of this nature naturally increase handling costs, add to the storage problem and block the harbors with waiting ships.

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6. Directives of the Ministry of Merchant Marine for the second Five Year Plan call for 90 percent of the 400,000 tons of the shipping to be built in Yugoslav yards and only 10 percent to be contracted to foreign yards. Such action is essentially to bolster domestic yards, because the construction of a 4,000 ton ship built in foreign yards costs approximately 72 million dinars whereas the cost of the same ship in a Yugoslav yard is in the neighborhood of 130 million dinars. The great difference in building costs is created by the following factors:

- a. The purchase price and cost of installation of engines, navigational gear, electrical and other material are much less in foreign shipyards.
- b. Worked steel per ton is more expensive in Yugoslav yards.
- c. There is a 30 percent to 40 percent greater loss of work time in Yugoslav yards.
- d. Forty percent of the invested capital goes for workers' wages.

7. Currently the Ministry of Merchant Marine is endeavoring to create and enlarge the number and scope of its shipping lines to compete with other nations on a world-wide basis. For the moment, these lines are severely limited by inadequate equipment and shipping facilities.

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8. Even if the ship building program suffices in theory, Yugoslav shipping officials are doubtful that it will be met because of the shortage of available currency. Because of the shortage, Yugoslav ships often travel thousands of miles with less than full cargoes in order to deliver goods on schedule as contracted, thereby avoiding penalties and acquiring the needed currency. In addition, while the Merchant Marine is a Ministry, it is really only a part of the Ministry of Foreign Trade in which many interests are centered. Often, in the interest or need of another department or industry represented in the Ministry of Foreign Trade, funds allocated to the Ministry of Merchant Marine are transferred arbitrarily for the purchase of materials.

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